

## Message Text

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PAGE 01 MILAN 00134 01 OF 02 030254Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05  
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
COME-00 INR-07 LAB-04 NSAE-00 SIL-01 DODE-00  
PA-01 PRS-01 L-03 /080 W  
-----019521 030313Z /41

R 300730Z JAN 78  
FM AMCONSUL MILAN  
TO AMEMBASSY ROME  
INFO SECSTATE WASHDC 5816  
AMCONSUL GENOA  
AMCONSUL NAPES  
AMCONSUL TURIN UNN

LIMITED OFFICIAL USE SECTION 1 OF 2 MILAN 0134

EO 11652: NA  
TAGS: ELAB ECON IT  
SUBJECT: UNIDAL AGREEMENT: HOPE FOR THE FUTURE

1. SUMMARY. AGREEMENT REACHED AMONG BANKRUPT MILAN CONFECTIONERY MAKER UNIDAL, UNIONS, AND GOVERNMENT MODERATORS IN ROME EARLIER THIS WEEK APPEARS TO HAVE BROUGHT END TO LONG STRUGGLE BETWEEN GOVERNMENT-OWNED COMPANY IN LIQUIDATION AND UNIONS WHO HAVE OPPOSED ITS LAY OFF PLANS. UNIDAL GENERAL MANAGER HAS TOLD US GOVERNMENT'S LANDMARK AGREEMENT IS FIRM DESPITE CONSIDERABLE DISSATISFACTION WITHIN LOCAL UNIONS; THAT NEW RESTRUCTURED COMPANY DESIGNED TO BE IN BLACK; AND THAT SEPARATED WORKERS STAND GOOD CHANCE OF EVENTUAL REABSORPTION INTO LOMBARDY ECONOMY. ALTHOUGH SOME LOCAL OBSERVERS DO NOT AGREE THAT UNIDAL'S FINANCIAL TROUBLES ARE OVER, CASE STILL REMAINS BREAKTHROUGH IN AS MUCH AS UNIDAL IS FIRST MAJOR GOVERNMENT OWNED COMPANY EVER TO GO THROUGH LIQUIDATION RESULTING IN LARGE SCALE LAY  
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PAGE 02 MILAN 00134 01 OF 02 030254Z

OFFS. END SUMMARY.

2. UNIDAL LIQUIDATION PROBLEMS REPORTED (##) REFTEL FINALLY CAME CLOSE TO FINAL SOLUTION THIS WEEK WHEN COMPANY, UNIONS, AND GOVERNMENT REPRESENTATIVES AGREED ON FORMULA FOR HANDLING UNIDAL'S DISPLACED WORKERS. NEW GOVERNMENT HOLDING COMPANY SIDALM WILL TAKE OVER LIQUIDATED UNIDAL'S

OPERATIONS ALONG WITH OVER 4,000 OF ITS 8,500 FORMER EMPLOYEES. ABOUT 3,000 WORKERS WILL EVENTUALLY BE HIRED BY GOVERNMENT COMPANIES, AND MOST SIGNIFICANTLY, ABOUT 1,400 WILL BE PERMANENTLY LAID OFF AFTER YEAR OF WAGE SUPPLEMENTS.

3. DR. GIANMARIO DETTONI, GENERAL MANAGER OF UNIDAL AND NOW OF UNIDAL'S NEW SLIMMER INCARNATION SIDALM, DESCRIBED TO US JAN 26 COMPANY'S PAINFUL PASSAGE FROM SICKNESS TO WHAT HE IS CONVINCED WILL BE HEALTH. HE STATED THAT GOVERNMENT-UNION ACCORD, WHICH WILL PRACTICALLY CUT CONFECTIONERY PRODUCER'S WORK FORCE IN HALF, HAD BEEN SIGNED AT CABINET LEVEL BY GOVERNMENT AND WOULD BE DEFENDED TO END BY UNION SIGNATORIES AGAINST EXTREME UNION ELEMENTS. IT WAS FIRST TIME THAT GOVERNMENT HAD LIFTED RESPONSIBILITY FOR SEPARATED WORKERS FROM SHOULDERS OF STATE-OWNED COMPANY AND BORNE BURDEN ITSELF.

4. UNIONS AT COMPANY LEVEL WERE AT MOMENT ENGAGED IN PYROTECHNICS THAT HAD TURNED MANAGEMENT OUT OF ITS OFFICES (WE SPOKE IN TEMPORARY OFFICES IN MILAN HOTEL) AND MADE UNIDAL CONFECTIONARY ESTABLISHMENTS THE SITES OF CONTINUOUS ASSEMBLIES. VOTES OF EMPLOYEES ON NEWLY-REACHED AGREEMENT HAD BEEN TAKEN AT EACH COMPANY LOCATION AND HAD BEEN FAVORABLE EVERYWHERE BUT HEADQUARTERS OFFICES WHERE ONLY ON THIRD OF EMPLOYEES VOTED. BUT LIMITED OFFICIAL USE

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PAGE 03 MILAN 00134 01 OF 02 030254Z

THEY WOULD HAVE TO GIVE IN IF MAJORITY APPROVED OVERALL. IF THEY STILL PERSISTED IN OCCUPYING OFFICES, COMPANY WOULD GET COURT ORDER TO HAVE THEM REMOVED. IN WORST CASE, COMPANY MIGHT SIMPLY ABANDON OFFICES, WHICH WERE RENTED, AND LEAVE PROBLEM TO LANDLORD. AT ANY RATE, PROBLEM WAS VERY DISAGREEABLE BUT OUTCOME WAS CERTAIN.

5. WHAT WERE CHANCES OF AGREED-UPON SOLUTION WORKING, I.E. OF LAID-OFF EMPLOYEES FINDING NEW JOB? DETTONE SAID THAT IRI WOULD PICK UP THOSE PROMISED JOBS WITH ITS COMPANIES. AS FOR SOME WHO WOULD GO ON SPECIAL WAGE SUPPLEMENT FUND STATUS (WHERE THEY WOULD GET MOST OF SALARY FOR AS LONG AS ONE YEAR), UNIDAL PERSONNEL MANAGER DR. RIVA SAID PAST COMPANY EXPERIENCE WAS ENCOURAGING. OVER LAST TWO YARS, UNIDAL HAD PAID BONUSES OF THREE MILLION LIRE TO WORKERS LEAVING VOLUNTARILY. SOME 1800 HAD ACCEPTED OFFER, AND ABOUT 90 PERCENT OF THOSE, ACCORDING TO RIVA, HAD FOUND NEW WORK. THAT SUGGESTED THAT FEARS OF EXTREMISTS IN UNIONS WERE EXAGGERATED.

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PAGE 01 MILAN 00134 02 OF 02 311229Z  
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R 300730Z JAN 78  
FM AMCONSUL MILAN  
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INFO SECSTATE WASHDC 5817  
AMCONSUL GENOA  
AMCONSUL NAPLES  
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LIMITED OFFICIAL USE SECTION 2 OF 2 MILAN 0134

6. AND WHAT WERE CHANCES THAT RESTRUCTURED SIDALM COULD MAKE GO OF IT? DETTONE EXPLAINED THAT UNIDAL'S REQUEST TO GOVERNMENT TO CUT 8500 PERSON WORKFORCE DOWN TO 3800 WAS BASED ON CAREFUL CALCULATION OF PROJECTED COSTS AND PRICES AND WAS DESIGNED TO LEAVE ROOM FOR MODEST PROFIT. WHEN GOVERNMENT MADE COMPANY KEEP 200 MORE PEOPLE (I.E. TOTAL OF 4,000), THAT CUT OUT PROFITS BUT STILL LEFT COMPANY BREAKING EVEN. BUT SINCE PRICE PROJECTIONS HAD BEEN PURPOSELY ON CONSERVATIVE SIDE AND PRICES WOULD PROBABLY BE BETTER THAN PLANNED, REASONABLE TO THINK THAT THERE MIGHT BE PROFITS AFTER ALL.

7. DETTONE WAS MILDLY OPTIMISTIC OVER NEW COMPANY'S FUTURE INTERNATIONALLY AS WELL. HE MENTIONED SEVERAL EUROPEAN COUNTRIES INCLUDING GERMANY HAD APPROACHED UNIDAL DURING WHAT THEY HAD SUPPOSED TO BE ITS DEATH THROES AND HE ATTRIBUTED THEIR INTERES TO PRESTIGE OF MOTTA NAME, WHICH WAS VALUABLE ASSET. (ALEMAGNA NAME,  
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PAGE 02 MILAN 00134 02 OF 02 311229Z

ON OTHER HAND, WAS NOT.) MOTTA BRAND NAME SOLD WELL IN

EUROPE AND, HE UNDERSTOOD, IN US AS WELL. ALTHOUGH IT WAS TOO EARLY TO THINK OF MORE DIRECT FOREIGN INVESTMENT ON SIDALM'S PART (COMPANY ALREADY HAD SWEETS MANUFACTURING HOLDINGS ABROAD INCLUDING GERMANY, BELGIUM, FRANCE, AND PERU), SUCH INVESTMENTS WERE POSSIBILITIES FOR FUTURE. AND IN MEANTIME COMPANY WOULD HAPPILY ENTERTAIN FOREIGN OFFERS TO INVEST IN SIDALM HERE IN ITALY. ALTHOUGH COMPANY WAS PRESENTLY ONE HUNDRED PERCENT STATE-OWNED, THAT DIDN'T FOREGO POSSIBILITY OF FOREIGNER BUYING SLICE OF SHARES.

8. DESPITE BRIGHTER FUTURE SIDALM SEES FOR ITSELF, HOWEVER, SOME LOCAL OBSERVERS ARE MORE PESSIMISTIC. THEY POINT OUT THAT AFTER YEARS OF LITTLE INVESTMENT, SIDALM WILL NEED MASSIVE INFUSIONS OF CAPITAL TO MAKE ITS OBSOLETE PLANTS AGAIN COMPETITIVE WITH TODAY'S STRONG COMPETITION.

9. COMMENT: ALTHOUGH PRESENT CIRCUMSTANCES MAKE DETTONE'S MOOD ANYTHING BUT OPTIMISTIC, HIS MESSAGE WAS OPTIMISTIC. HE THOUGHT GOVERNMENT DECISION TO ALLOW UNIDAL TO SEPARATE SURPLUS PERSONNEL WAS LANDMARK ONE, EXTREMISTS WITHIN UNIONS COULD NOT SABOTAGE IT, AND THAT IT WOULD BE SUCCESSFUL, BOTH FROM COMPANY'S VIEWPOINT AND FROM UNIONS'. CRUCIAL TO SUCCESS FROM COMPANY SIDE IS FACT THAT SIDALM WILL NOT BEAR RESPONSIBILITY FOR SEPARATED EMPLOYEES. THAT DISTINGUISHES CASE FROM THAT OF LEYLAND-INNOCENTI, STILL UNDER GUN MORE THAN YEAR AFTER CLAMOROUS COMPROMISE WITH UNIONS BECAUSE LAID-OFF WORKERS EXPECT TO RETURN AND MONEY FOR PROJECTED EXPANSION HAS NOT MATERIALIZED. FROM SEPARATED EMPLOYEES VIEWPOINT, THEIR SUCCESS IN FINDING NEW JOBS LIMITED OFFICIAL USE

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PAGE 03 MILAN 00134 02 OF 02 311229Z

NOT ASSURED BUT CHANCES APPEAR GOOD IN LOMBARDY, WITH RELATIVELY LOW UNEMPLOYMENT RATE OF ONLY 5 PERCENT OR SO.

10. THUS UNIDAL AGREEMENT, NOTWITHSTANDING SOME INITIAL BITTER REACTIONS, IS BREAKTHROUGH THAT SHOWS PROMISE OF WORKING. IT IS ALSO SEEN HERE AS GESTURE OF MODERATION FROM UNIONS AS PCI PRESSES FOR GOVERNMENTAL RESPONSIBILITIES IN ROME.FINA

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## Message Attributes

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